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Mary Alice Williams, co-anchor:

Standing tall and talking tough, President Reagan tells all that the oil will get through the Persian Gulf. Here's CNN's Charles Bierbauer with us now on what the president had to say.

Charles Bierbauer reporting:

President Reagan found economic justification for sending more U.S. warships to the Persian Gulf area. He revived 1970's images of demoralizing gas lines and said that won't happen again while he's president.

Bierbauer: National security adviser Frank Carlucci says this does not end U.S. neutrality in the Iran-Iraq war and is not meant to be provocative. Former officials who have been in similar positions urge caution.

Stansfield Turner (Former CIA Director): Presidents and their advisers have a tendency to take the first military step in the hopes that that will be the last.

Bierbauer: The president will ask for help from his allies at the coming Venice economic summit and after hearing considerable congressional criticism security adviser Carlucci says the administration has no problem with reporting to Congress but does have problems with Congress imposing conditions on such operations. Charles Bierbauer, CNN, the White House.

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185 Words
15 Clips

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LOS ANGELES TIMES
8 February 1987CIA 4 Iran/Contra
CIA 4.01 Foreign Intell Services

An Aspirin for the CIA, but Major Surgery Needed

By James Bamford

CAMBRIDGE, MASS.

Like its director, William J. Casey, who resigned last week following brain surgery for a malignant tumor, the Central Intelligence Agency is seriously ill and the prognosis is for a slow recovery.

Chosen by President Reagan to nurse the agency back to health is Robert M. Gates, a 43-year-old Soviet analyst who has served as Casey's deputy since April, 1986. Although the choice of Gates has drawn support on both ends of the political spectrum, his selection represents little more than an aspirin where major surgery is called for.

Among the most striking revelations to emerge from the recently released Senate Intelligence Committee report is the picture it paints of a weak and confused Casey attempting to run an agency in search of a purpose. For decades pure espionage—the collection of intelligence—has shifted to the more cost-effective technospies: The sensitive ears of the National Security Agency and the telephoto eyes of the National Reconnaissance Office. To fill the void, the CIA turned more and more toward covert operations, an area that Casey, a former Office of Strategic Services operative, was familiar with.

But, as the intelligence committee report vividly shows, Casey was too weak a director even to maintain the agency's control over covert operations. Thus it was not an experienced CIA official who played a key role in arranging the early arms-for-hostages transfers, but Michael A. Ledeen, a neophyte part-time employee of the National Security Council who acted more like a lobbyist for Israel than a U.S. representative, and Lt. Col. Oliver L. North, a monomaniacal Marine also on the NSC staff. Ledeen was later replaced with various arms dealers.

An even more disturbing revelation to emerge from the Senate report was the agency's lack of control over its own covert-action specialists. For example, it was not Casey but John N. McMahon, the agency's deputy director (acting as director while Casey was in China), who ordered that no further CIA activity in support of the NSC operation be conducted without a presidential finding authorizing covert actions.

Nonetheless, despite the fact that a finding was not issued until Jan. 17, 1986, nearly two months later, the agency's Covert Action Unit secretly continued to

offer assistance for future NSC arms-for-hostages operations. Such actions led one congressman on the House Foreign Affairs Committee to declare, "There are clearly elements who believe they are a government unto themselves." And Adm. Stansfield Turner, Casey's predecessor at the CIA, said, "If I'd have found out that there was an intelligence operation run without my knowing it, I'd have quit the next day."

Finally, the CIA under Casey may have severely damaged one of the agency's most important intelligence sources: close liaison activities with friendly governments. It is far easier, for example, for the West German government to infiltrate the East German intelligence network—and then share the result with the CIA—than it is for the CIA to spend years attempting to train Americans to do the very same thing.

But developing such assets often takes years of patience and, especially trust. Loss of that trust may result in a cutoff of key intelligence for a long time. Unfortunately, it is just such trust that the CIA under Casey and Gates has been rapidly squandering. How can any foreign government, for example, trust its secrets to an agency that warns them against selling arms to terrorist nations while at the same time is secretly doing precisely that; or allows highly sensitive covert operations to be conducted by a group of inexperienced comic-book characters; or misplaces tens of millions of dollars in secret funds; or supplies doctored intelligence to one side in a war while secretly sending arms to the other? The argument that senior agency officials had no idea that any or all of the above was taking place would only compound, not lessen, the mistrust of friendly intelligence services.

These are just a few of the problems the new director must overcome if the CIA is to regain its credibility. Unfortunately, Gates does not measure up to the job. His main virtues appear to be a strong ambition and an ability to follow orders unquestionably. He also appears to have been heavily involved with Casey—not in trying to get to the bottom of the illegal diversion of funds from the Iran deal to the *contras*, but in trying to cover it up.

Gates, for example, was first informed by a CIA analyst of the possible diversion of funds as far back as Oct. 1, 1986. During their discussion, however, there was never any mention of potential illegality, only talk about the inappropriate commingling of separate accounts and the risk of the operation's discovery. Not until Oct.

7 did Gates and the other official brief Casey on the likely diversion.

Adding to the worry was the fact that earlier that same day Casey had met with Roy M. Furmark, an old friend, who warned him that two Canadian businessmen, who had put up money for the arms deal, had not been repaid—and they were threatening to go public. Soon after the meeting, Casey and Gates informed Vice Adm. John M. Poindexter, then Reagan's national security adviser, of the possible diversion of funds to the *contras* and the possibility that the operation might be blown.

What Casey and Gates were obligated to do at this point was inform the congressional Intelligence Committee and also the President's Intelligence Oversight Board, a small White House body charged with looking into possible illegal intelligence activities. What they did instead was to try to turn a blind eye to the whole operation. According to one report, Gates told the Intelligence Committee that it was CIA policy "to not even want to know about funds being diverted to the *contras*." "If we even knew," Gates

said, "we would be blamed for it."

Thus, even though North, over lunch with Casey and Gates on Oct. 9, made reference to the Swiss bank account and money for the *contras*, neither CIA official were interested in hearing any more about it. All they wanted to know was whether the CIA was "clean." Assured by North that it was, Casey and Gates pressed no further and again made no mention to any oversight body. The most they did was to ask the agency's in-house general counsel to review all aspects of the Iran project to ensure that the CIA was not involved. The general counsel, without questioning North or, apparently, anyone else with any potential knowledge, quickly came up with a clean bill of health for the CIA.

Over the next six weeks, growing evidence of the funds diversion continued to flow into the offices of Casey and Gates. Yet the cover-up continued. On Nov. 21, Casey testified before the Senate Intelligence Committee and made no reference to the *contra* diversion. Later, Gates weakly defended the deception, saying that they (Casey and Gates) didn't have enough information to go on. Yet, Gates added, "It was enough to raise our concerns to the point where we expressed them to the White House."

There is no doubt, as many have

indicated, that Gates represents a vast improvement over his former boss. He is bright, articulate and capable. He also appears to be more comfortable with congressional oversight than Casey, who viewed the intelligence committees with disdain and suspicion. But, his actions during the Iran-*contra* affair leave a great deal to be desired. Unlike his predecessor, McMahon—who protested loudly over such improper activities as the lack of the presidential finding and then resigned, apparently at least in part as protest to the agency's continued involvement in the arms-for-hostages deal—Gates shows no such inclination toward moral courage. In choosing someone to head up the entire U.S. intelligence community, such a quality must be a principal requirement.

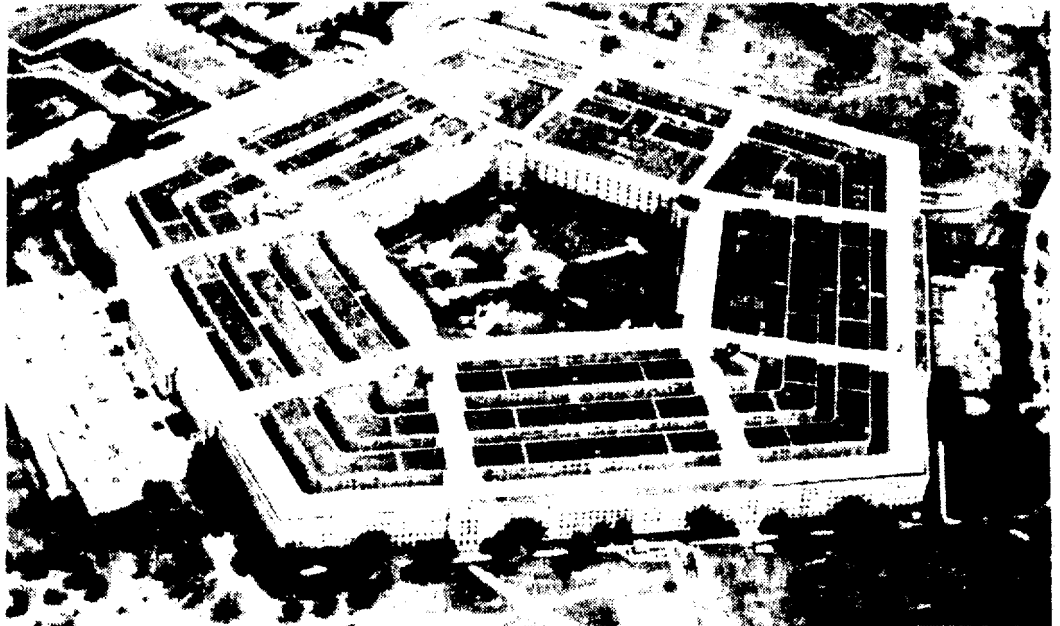
In its confirmation hearings next week the Senate Intelligence Committee should send the nomination of Gates back to the White House with the clear message that what the agency needs is candor, not cover-up. The most effective cure for the CIA's ills is a new director from outside the agency with stature, broad foreign-policy, defense and intelligence background and a free hand to make all the necessary changes. Such an appointment may be the only way to get the agency off the critical list and into the recovery room. □

James Bamford is author of "The Puzzle Palace," an examination of the National Security Agency.

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A growing 'black budget' pays for secret weapons, covert wars

Quietly, the Pentagon's secret "black budget" is growing faster than any other part of government. It consumes more federal dollars than education or environment. It has tripled in the Reagan years. It pays for complex new weapons systems and dolphins trained as saboteurs, conventional intelligence gathering and plans for World War IV. Yes, Four.



United Press International

By Tim Weiner
Inquirer Staff Writer

Two years ago, a startling item appeared in President Reagan's budget. It was a military project code-named Aurora, and no further description or explanation was given. But Aurora caught people's attention anyway. That's because the projected budget showed its cost soaring from \$80 million in 1986 to \$2.3 billion in 1987.

What sort of project grows like that?

Not one the Pentagon wants to talk about.

In the administration's defense budget this year, there is no mention of Aurora. The project and its billions have "gone black" — vanished into the vast cache of secret accounts that the Pentagon calls its "black budget."

Since President Reagan took office in 1981, his administration has more than tripled the black budget. This secret spending for classified programs now totals at least \$35 billion a year, according to an Inquirer investigation of Defense Department records, corroborated by Pentagon and congressional sources. It now accounts for 11 percent of the Pentagon's current \$312 billion spending request, and that number is bound to swell, for the black budget is growing faster than any other major sector of the federal government.

The Pentagon says nothing publicly about the black budget, and most members of Congress have no access to details about it.

Under the cloak of black-budget secrecy, the Reagan administration is spending billions on nuclear bombers and millions to train dolphins as underwater saboteurs. It has developed elaborate plans for winning

a months-long nuclear war — World War III — and preparing for World War IV. The plans include robots stalking radioactive battlefields, satellites orchestrating nuclear attacks and generals speeding along interstates in lead-lined trucks, ordering warheads fired from faraway silos.

The black budget also funds a host of secret weapons, covert military units, one-quarter of all military research and development and at least three-quarters of the U.S. intelligence community's espionage and covert activities.

The black budget is split about evenly between funds for secret weapons and funds for intelligence agencies. The military's portion alone has grown eightfold, to at least \$17 billion, since Reagan took office.

The portion of the U.S. intelligence budget hidden away in the Pentagon's secret accounts has doubled to at least \$18 billion under the Reagan administration. And no part of the intelligence budget has grown faster than funds for covert operations — currently more than \$600 million a year, according to intelligence analysts.

The controversy swirling in Washington over the covert sale of weapons to Iran and the diversion of millions of dollars in profit to contra forces in Nicaragua shows how the secret use of secret funds can undermine trust in government, warp foreign policy and

damage a presidency — when it is detected.

The spending of those millions to finance secret wars has now raised congressional hackles, but the spending of billions to finance secret weapons continues to grow largely unchecked.

The black budget now is nearly as big as the entire federal budget for health care. It is far bigger than the federal budget for education or transportation or agriculture or the environment.

The black budget's fastest-growing component is secret spending on military research and development. Now approaching \$11 billion, it has increased 1,357 percent under Reagan. It is three times bigger than the entire budget for the State Department. And no end is in sight.

This is growth that foreshadows huge future increases in the overall black budget, for research and development is the acorn from which the defense oak grows. So the secret spending will only accelerate as such projects as Aurora — which was a code name for the \$60 billion Stealth bomber project — go from the drawing board to the assembly line.

National-security laws forbid any public debate in Congress that would reveal specific weapons or specific dollars or, for that matter, specific foul-ups in the black budget.

Thomas Amlie, a Pentagon missile expert with security clearances high enough to know about some black programs, says the military has "three basic reasons for having them. One, you're doing something that should genuinely be secret. There's only a couple of those, and Stealth ain't one of them.

"Two, you're doing something so damn stupid you don't want anybody to know about it.

"And three, you want to rip the moneybag open and get out a shovel, because there is no accountability whatsoever."

As a consequence, critics say, the black budget is far more vulnerable than the rest of the defense budget to shoddy work, inflated bills and outright fraud by contractors and subcontractors. Rep. John D. Dingell (D., Mich.), whose House Energy and Commerce Committee is trying to penetrate the secrecy surrounding Pentagon spending, said flatly that the black budget "conceals outright illegal activities."

"The Pentagon keeps these programs of almost unbelievable size secret from Congress, from the General Accounting Office, from its own auditing agencies," Dingell said. "And every time they have kept secrets from us, the facts, when they come out, have been surrounded by a bodyguard of lies."

Although the few members of Congress who are briefed on the black budget, and the larger number who are not, are growing increasingly unhappy with the system, they have been unable to pierce the Pentagon's shield of secrecy.

In the U.S. House of Representatives, the chairmen and ranking minority members of committees dealing with military matters receive briefings on black projects. In all, about 30 House members are given limited information about some black programs, according to congressional staff members. Senators overseeing military and intelligence affairs have greater access.

Two of those in the know, House Armed Services Committee Chairman Les Aspin (D., Wis.) and ranking minority member William Dickinson (R., Ala.), think the Pentagon's secrecy is unjustified. They have said 70 percent of the black budget could be declassified at no risk to national security.

Black budget is the Pentagon's own term for projects it hides from public view by classifying their titles, their costs or their objectives. (It does not include the Strategic Defense Initiative, or "Star Wars," which has been kept out of the black budget so that it can be promoted openly in the political marketplace.)

Black projects are concealed in several ways. In many cases, their costs simply are deleted from the unclassified budget. Some are given code names, such as *Bernie*, *Tacit Rainbow* and *Elegant Lady*, or hidden under innocuous headings such as "special activities" and "advanced concepts."

For example, the fiscal 1988 Air Force procurement budget includes a line item of \$4.7 billion for "selected activities," \$3.1 billion for "other production charges" and \$2.3 billion for "special programs." That is all that Congress as a whole knows about these

three black programs and the \$10.1 billion they will consume.

All told, more than \$25 billion — nearly one-fifth of all Pentagon spending for developing and producing weapons and materiel — is hidden in the black budgets for research, development and procurement.

These secret programs are financing aircraft, weaponry and military satellites whose final cost will far exceed \$100 billion.

"A fair question would be: What the hell's going on here? This is a tremendous amount of money to be spending with no oversight," said John Steinbruner, an expert on nuclear-war strategy who directs foreign-policy studies at the Brookings Institution in Washington. "Somebody's got to say: 'Hey, are we running a democracy or not? Is the fetish for secrecy undermining the political process?'"

"This is a problem that Congress persistently refuses to face, and the consequences could be very, very serious," said William W. Kauffman, a top defense-budget adviser to Presidents Kennedy, Johnson, Nixon, Ford and Carter. "I think people in Congress don't realize that with the black budget increasing as it is, they've really got an explosive situation on their hands. Either the Pentagon is going to have to give some of these projects up or we're going to see an explosion in budget authority and outlays."

But few members of Congress have the time or energy to fight the Pentagon for information on black projects. Several spent more than a year trying to obtain accurate budget data on the Stealth bomber. The Pentagon finally released five-year-old classified cost figures that many in Congress suspected were misleading.

"They control what the Congress gets and sees," said Rep. Denny Smith (R., Ore.), who calls himself a "cheap hawk," a cost-conscious conservative, on defense issues. "As a congressman, I can't get information. ... They don't want to have us mucking around in their budget."

"There's a real question here," Smith said. "Will the military accept civilian leadership when it comes to choosing weapons?"

A senior staff member of the House Government Operations Committee said that even what little congressional oversight exists has been weakened by the Pentagon's budgetary sleight-of-hand. He said the Pentagon uses a double-ledger system of accounting for black projects in which "brooms become computers" and computers become bombs.

"The Pentagon gets tremendous benefits from misleading Congress, and very few risks," he said. "As more and more money disappears into these ultrasecret programs, the checks and balances are basically being eroded. ... Congress has become less and less alert to this. It is abdicating power."

The black budget, Defense Secretary Caspar W. Weinberger said at a Jan. 6 news conference, is made up of "funding which we believe it is better for us not to publicize, on the very sound premise that we don't see the purpose of giving additional information to the enemy."

Weinberger, of course, was referring to the Soviet Union. However, many members of Congress believe he had another adversary in mind.

"The attitude of this administration is that Congress is the enemy," said Rep. William H. Gray 3d (D., Pa.), chairman of the House Budget Committee. "So we simply do not get nearly enough information to keep track of these secret accounts. The administration has run wild in this area. They are trying to end-run Congress as if there were no checks and balances in the Constitution. It is a very dangerous policy."

And even the staunchest supporters of national security now are questioning the black budget's growth.

"I know quite a lot of black programs, and many of them are well-managed," said Richard Garwin, a longtime defense consultant and presidential adviser who helped develop the hydrogen bomb. "But the proliferation of these programs is very bad. It is primarily to avert criticism and evaluation. It is part of a general trend of this administration to block information on its programs, whether they be classified or unclassified. And that is profoundly anti-democratic."

Increasingly, the Pentagon is pushing previously unclassified programs into the black budget. About \$4.5 billion in once-public Pentagon spending, such as funds for the Milstar space satellites designed to help fight nuclear wars, has vanished into the black budget in the past two years.

"Huge areas have been removed from public debate," said Jeffrey Richelson, a professor at American University in Washington who has written several acclaimed studies on U.S. and Soviet intelligence. "Whole programs have gone black without questions being asked, such as: Do we need these weapons? Will they be destabilizing?"

Richelson said, "The secrecy once reserved for extraordinary programs" — such as the Manhattan Project to build an atomic bomb during World War II — "now has become an everyday, every-time affair."

Why are more and more projects becoming black? The foremost reason is the Reagan administration's desire for secrecy. That has driven the black budget upward more forcefully than any weapon in the Pentagon's plans.

In 1982, President Reagan signed an executive order revising the procedures for keeping secrets. The order said, in effect, that in balancing the public's right to know against the government's power to keep secrets, secrecy would carry more weight.

The order allows bureaucrats to "reclassify information previously declassified" and forbids them to consider the public's interest in access to government information when deciding to classify a document. Since then, the government has been classifying more documents and declassifying fewer than in previous administrations, according to the federal Information Security Oversight Organization, which monitors classification orders.

But there may be reasons other than secrecy that are driving the black budget higher.

A recent report by a presidential commission on defense-security practices warned that black programs "could be established ... to avoid competitive procurement processes, normal inspections and oversight." And a senior House Armed Services Committee staffer, Anthony Battista, noted in a 1985 briefing that a multimillion-dollar radar-jamming system was classified to hide the Pentagon's violation of competitive bidding rules in awarding the contract.

security clearances necessary to audit black programs, which usually are classified as "sensitive compartmented information," a classification above top secret. There are more than 10,000 such security "compartments," and it is illegal for anyone without that specific clearance to possess knowledge of the program.

That raises the question whether the fiscal abuses revealed in unclassified Pentagon procurement programs — the \$7,000 coffeepots and \$600 screws — also are occurring in secret.

"In a black project, people don't worry about money," says a systems engineer who has worked on four black projects at the space systems division of Lockheed Missile and Space Co. in Sunnyvale, Calif.

"If you need money, you got it. If you screw up and you need more, you got it," said the engineer, who asked that his name not be published. "You're just pouring money into the thing until you get it right. The incentive isn't there to do it right the first time. Who's going to question it?"

Questioning the black budget is difficult for a Congress lacking information. But limits in future defense spending required by the Gramm-Rudman budget-cutting law may force the issue. The law, which is designed to phase out the federal deficit by 1991, says 50 percent of the budget cuts should come from defense spending. And the federal deficit this year will be \$174.5 billion, according to the nonpartisan Congressional Budget Office.

Those seeking more bang for the defense buck are concerned that the growing black budget will crowd out defense spending for mundane but crucial things such as boots and bullets.

"What we see in three to four years is a train wreck coming," said Gordon Adams of the Defense Budget Project, a Washington research organization that analyzes Pentagon spending. The crash he envisions: rushing headlong in one direction, tens of billions of dollars in immovable black weapons projects; coming the other way on the same track, tens of billions in unstoppable budget cuts mandated by the Gramm-Rudman law.

"The consequences of that train wreck for national security are enormous," Adams said. "What piece of flesh do we cut? Do we mothball part of the Navy? Cut personnel? We will have to make those choices, and all for a black budget we know nothing about."

But something can be learned about the black budget. The Inquirer reviewed more than 10,000 pages of Defense Department budget documents, studied the congressional testimony of Pentagon officials and interviewed military and intelligence experts inside and outside of the Pentagon for this series.

Within the military's black budget, no subject is more controversial or costly than Stealth technology, which is designed to enable aircraft and missiles to elude enemy radar.

Although the technology is a relatively open book — an informative volume on the subject can be bought in the Pentagon bookstore and accurate models of Stealth fighters can be purchased in toy stores — its true cost remains a state secret. Defense analysts place the combined costs of Stealth projects for Air Force fighters and bombers, nuclear cruise missiles, pilotless drones and Navy attack planes at \$100 billion.

Battista told the Armed Services subcommittee on research and development that the Pentagon "is putting more and more into the black programs, not because of national security, but simply to skirt the normal acquisition process."

Very few federal investigators have the

The most costly by far is the Stealth bomber, which is becoming the most expensive weapon in American history. The Air Force wants 132 of the planes delivered by the early 1990s. Most military experts place the bomber's ultimate price at about \$450 million apiece. If that estimate is accurate, the Stealth bombers' total cost will be \$60 billion — a sum equal to the combined annual budgets of New York, New Jersey and Pennsylvania.

Stealth-bomber spending may be spread out over several programs to hide its immense size. Now that Aurora has vanished, some analysts say Stealth money is cached in two Air Force line items: "other production charges — \$3.1 billion" and "special programs — \$2.3 billion." Some say it is hidden within the Department of Energy's \$8 billion budget for military programs.

The Pentagon refuses to disclose the price tag on Stealth technology, saying the Soviets could deduce the status of the projects by tracking the spending. Top Pentagon officials decline to respond to reports that the Stealth aircraft's heralded radar-evading ability already has been outstripped by advances in radar technology. They have denied in a public hearing before a congressional oversight committee that Stealth aircraft exist.

The hearings stemmed from a series of security lapses and frauds on Stealth projects. The Stealth-related criminal cases are only "the tip of the iceberg" of illegal conduct on black projects, said Robert C. Bonner, the U.S. Attorney in Los Angeles, a hub of secret military contracting.

One engineer hired by Northrop Corp., the lead contractor on the Stealth bomber, was a Florida chain-gang alum named William Reinke. He was convicted of defrauding the company of more than \$600,000 by channeling Stealth subcontracts to a company he secretly owned. In another case, a Northrop purchasing agent, Ronald Brousseau, was convicted of rigging contracts in exchange for kickbacks from subcontractors. He described the ease of defrauding black programs to a government informant wearing a concealed tape recorder: "We don't have any heads, we don't have any supervisory people. Nobody questions dollars or anything like that."

Few in Congress can adequately question dollars invested in Stealth technology, or expect satisfactory answers about Stealth's capabilities, said Rep. Mike Synar (D., Okla.), because of "the absolutely adamant refusal by the Pentagon to release information on Stealth," a refusal Synar called "an insult to Congress."

Synar said his experience in trying to obtain accurate cost figures on the bomber taught him this lesson: "It's obvious that Defense (Department officials) will not be truthful with Congress and the American public when they think it's in their interest."

Stealth is the biggest of the black programs, but other secret military projects absorb billions of defense dollars, Pentagon

documents show. Sophisticated Army and Air Force electronic-warfare systems; Navy programs aimed at disguising U.S. submarines' movements and detecting enemy subs with underwater sensors, and advanced computer, radar, communications and jamming systems are among the projects driving up the black budget.

All are cloaked in the secrecy that traditionally has been reserved for the nation's espionage agencies.

The intelligence community receives more than 75 percent of its funds from the Pentagon's black budget. The intelligence community's share of the black budget funds the CIA, the National Security Agency and the National Reconnaissance Office, as well as the military's intelligence branches. Their budgets appear in no public document.

The CIA's budget, an estimated \$2.5 billion, has more than doubled under the Reagan administration. And no part of it has grown faster than funds for covert operations, now \$600 million or more a year.

But the CIA's budget remains the smallest of those of the three major intelligence agencies. It is dwarfed by the National Security Agency's, which has been placed at \$10 billion.

The NSA is a global vacuum cleaner of intelligence. Its listening posts include ground stations around the world and KH-11 spy satellites orbiting the earth. The satellites and ground stations intercept information from telephones, telexes, microwave transmitters, missiles and satellites. NSA computers can pick out specific conversations from the babble of international telecommunications traffic.

The NSA also conducts surveillance within the United States. A secret court of federal judges, which meets periodically in a secure chamber within the Justice Department, grants the NSA license for domestic operations. Under a secret directive signed by President Reagan, the NSA has access to the computer systems of the IRS, the Social Security Administration and every other civilian government agency.

No law establishes or limits the powers and responsibilities of the NSA, which was created by a secret, seven-page order signed by President Harry S. Truman in 1952. The NSA regularly spied on American citizens until 1973, when revelations in the Watergate affair ended that practice. The only known mention of the agency in the public laws of the United States is a 1959 statute that

Continued

states: "Nothing in this act or any other law ... shall be construed to require the disclosure of the organization or any function of the National Security Agency."

Employing at least 60,000 civilians, and working closely with the Pentagon from its Fort Meade, Md., headquarters midway between Washington and Baltimore, the NSA also controls the nation's cryptography program, making the codes for U.S. forces and breaking the codes of foreign nations.

The third major espionage agency is the National Reconnaissance Office. Its existence never has been openly acknowledged by the United States. It is an agency so secret that its letterhead is classified. It is known to operate satellite reconnaissance systems under the direction of the Air Force, and it provides photographic data to the intelligence commu-

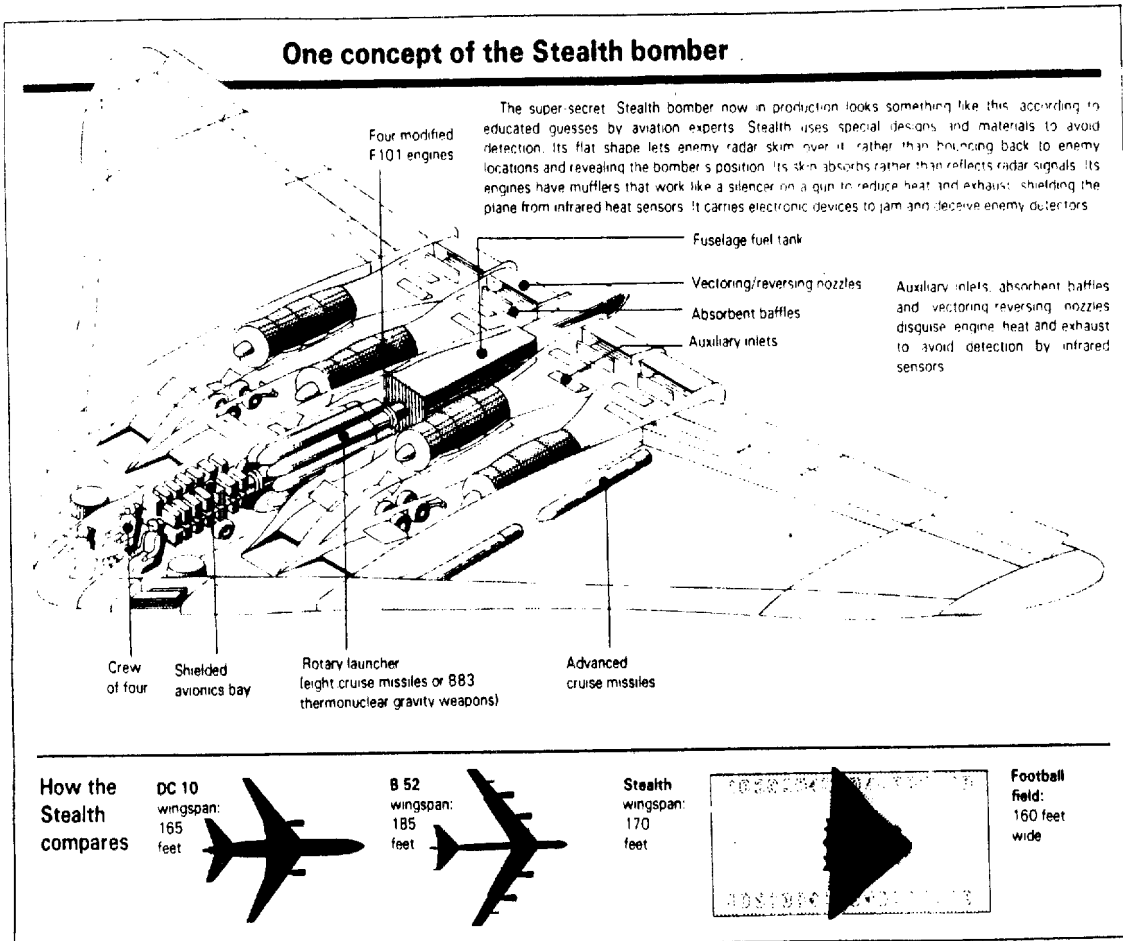
nity through a system of space platforms disguised as weather and research satellites. Its budget is estimated at \$4 billion.

All three major espionage agencies overlap with the Pentagon in their missions. For example, the Army provides cover and personnel for CIA operations, such as the training of the Nicaraguan counterrevolutionaries, the contras. The Pentagon controls a variety of intelligence programs, including the entire National Reconnaissance Office, the NSA's spy satellites and code-breaking, research and development of espionage equipment, and submarine surveillance of the Soviet Union.

Most congressional critics of the black budget make a practical distinction between the rapid growth of secret military spending, which they see as largely unjustified, and the black budget for espionage. Few have argued that intelligence programs should suffer public scrutiny.

But even this consensus has been strained by revelations that the CIA has kept Congress in the dark about covert operations of questionable legality, ranging from the mining of Nicaragua's harbors to the arms-for-Iran and cash-for-the-contras deals.

"I'm not against black programs," said Stansfield Turner, who served as CIA director from 1977 to 1981. "But is Congress willing to let these programs go through without knowing what's in them? It's clearly become much more difficult for Congress to get information, and it's clear that congressional oversight has been narrowed. I don't know whether that's a good thing."



Anatomy of a black budget

This page taken from the Pentagon's fiscal 1988 budget request for Air Force research and development programs shows how black projects are hidden from public view.

Unclassified programs have clearly stated functions and costs.
Black programs such as Leo do not.

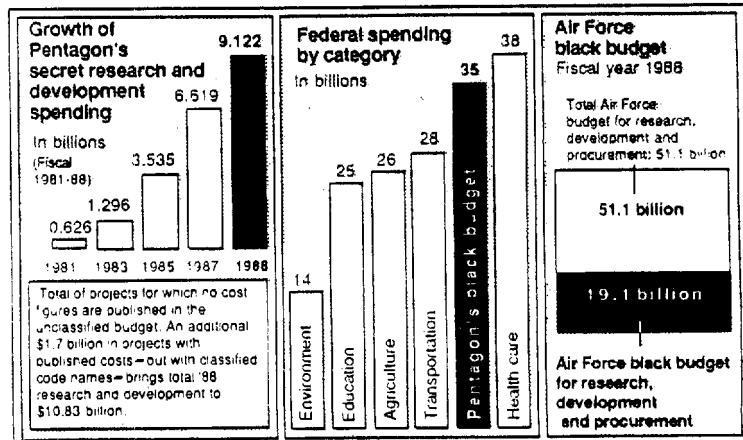
| UNCLASSIFIED | | | | | Exhibit R-1 | |
|---|------------|---|-----|---------|----------------------|-----------|
| Department of the Air Force FY 1988/1989 R D T & E Program | | | | | Date: 05 JAN 1987 | |
| Appropriation: 3600 F Research Development Test & Eval AF | | | | | Thousands of Dollars | |
| Line Element No | Program No | Item Nomenclature | Act | FY 1986 | FY 1987 | FY 1988 |
| 28 | 12436F | Command Center Processing and Display System | 3 | 12,576 | 25,699 | 32,052 U |
| 89 | 12822F | LEO | 3 | | | 38,064 U |
| 90 | 33131F | Minimum Essential Emergency Communications Network (MEECN) | 3 | 73,802 | 60,222 | 58,598 U |
| 91 | 33152F | World-Wide Military Command and Control Systems, Information System | 3 | 4,338 | 7,592 | 5,107 U |
| 92 | 33154F | WWMCS Information System Joint Program Management Office | 3 | 56,422 | 94,930 | 82,089 U |
| 93 | 33601F | Milstar Satellite Communications System (AF Terminals) | 3 | 117,234 | 271,968 | 229,229 U |
| 94 | 33603F | Milstar Satellite Communications System | 3 | 331,312 | 470,316 | 310,353 U |
| 95 | 35124F | Special Applications Program | 3 | | | |
| 96 | 35155F | Theater Nuclear Weapon Storage & Security System | 3 | 2,056 | | U |
| 97 | 35172F | BERNIE | | | | |
| 98 | 35892F | Special Analysis Activities | | | | |

Black projects such as this one, code-named Bernie, have classified titles to disguise their purposes. Their costs are deleted from the public Pentagon budget.

This black program's title suggests something to do with intelligence. Its purpose and cost are secret.

The Milstar satellites went black in this year's budget. Funds for Milstar exceeded \$800 million in fiscal years 1986 and 1987.

The Philadelphia Inquirer



SOURCE: U.S. Department of Defense; U.S. Office of Management and Budget

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CIA choice has tough tasks ahead

J By Sam Meddis *orig*
USA TODAY

The Senate could confirm Robert Gates today as youngest-ever CIA director.

But, at 43, the 21-year CIA veteran faces two larger tests:

■ First, defending the CIA's role in the Iran-contra scandal at confirmation hearings — today on CNN at 10 a.m. EST.

■ And, over the next two years, establishing his independence from the Reagan administration so he can retain the post under a new president.

"I flatly predict — I have no question in my mind — he should be confirmed," said Sen. Patrick Leahy, D-Vt.

Gates has a reputation for hard work, a flair for analysis and a scholar's savvy about the Soviet Union. He joined the CIA in 1966, remaining in the analysis unit — never in clandestine activities. He became deputy director in April.

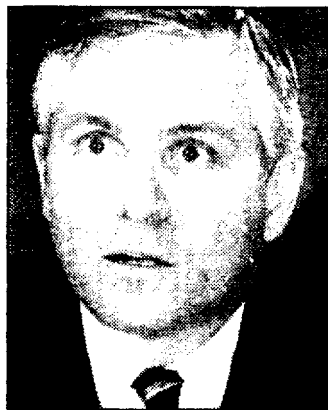
But the Senate Intelligence Committee hearings will raise sticky questions about Gates' role in the Iran affair.

"I expect some fairly tough questions on ... what he knew and when he knew it," says Jim Dykstra, a committee staffer.

If Gates knew anything, the questions are likely to turn to why he didn't tell Congress.

While committee Chairman Sen. David Boren, D-Okla., says the hearing won't become a full-blown arms scandal probe, Gates is certain to be asked about reports of a cover-up.

News reports claim a cover-up story was drafted for ex-CIA director William Casey — now recovering from brain surgery — to be presented before the Senate, saying the CIA believed missile shipments to Iran were



UPI
GATES: Married father of two called a very private person

"oil drilling equipment."

Some senators may try to extract a pledge that Gates will tell the panel of all future secret CIA operations or resign.

Ex-CIA Deputy Director Bobby Inman says Gates has a strong chance of staying on after Reagan: "His reputation (as) a non-partisan, competent professional is already there."

Says ex-CIA Director Stansfield Turner: "It's a good move to start with a new generation."

Roy Godson, a Georgetown University government professor, says Gates will have to fend off congressional efforts at new restrictions on the CIA while improving counter-intelligence in the wake of embarrassing big spy cases.

"It would be hard enough to do either one of those," Godson said. "And he's got to do both."

Contributing: William Ringle